NUEXCO

NUEXCO MONTHLY REPORT
December 1989, No. 256

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EXECUTIVE SUMMARY
(All data as of November 30, 1989)

Exchange Value
$9.20, down $0.20

The **Exchange Value** is **$9.20** per pound U_3O_8, down $0.20 from last month.

UF_6 Value
$27.75, down $0.50

The **UF_6 Value** is **$27.75** per kg U as UF_6, down $0.50 from last month.

Uranium Sales; Supply and Demand

Six recent **natural uranium** sales and **two enriched uranium product** sales are reported, involving approximately **2.2 million** pounds equivalent U_3O_8. Six of these sales involved spot or near-term delivery and met the conditions for inclusion in the Transaction Value. Active spot and near-term **uranium supply** amounts to **8.3 million** pounds U_3O_8 equivalent, up approximately 0.4 million pounds since last month. Active spot and near-term **uranium demand** totals **2.6 million** pounds, down about 2.3 million pounds from last month. The spot and near-term **supply-demand ratio,** at **3.1 to 1,** increased greatly from last month's ratio of 1.3 to 1.

Transaction Value
$9.55, down $0.10

The **Transaction Value** is **$9.55** per pound U_3O_8, down $0.10 from last month. The calculation includes 17 transactions involving a total of approximately 3.5 million pounds U_3O_8 equivalent and covers a period of three months.

Loan Rate
3.5%, unchanged

The **Loan Rate** is **3.5 percent** per annum, unchanged. One natural uranium loan is reported.

Conversion Value
$1.75, down $0.05

The **Conversion Value** is **$1.75** per pound U as UF_6, down $0.05 since last month. Two transactions for conversion services are reported.

SWU Value
$57, down $2

The **SWU Value** dropped $2 to **$57** per SWU. Three enrichment transactions are reported, two of which involved EUP. Active supply and demand both decreased from last month.

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1989 Preliminary Market Review

Although another month remains in 1989, the volume of uranium sold during the year already exceeds 20 million pounds U_3O_8 equivalent—the highest activity level since NUEXCO began reporting annual spot market volume in 1981. As numerous sellers liquidated inventories, and new and conventional suppliers aggressively sought available sales opportunities, the Exchange Value fell 22 percent.

Volatility of Mineral Prices

As prices peaked at more than $43 in 1977, then fell precipitously to less than $10 today, the term "volatile" has often been used to describe the recent uranium market. However, when compared over the past forty years with the fluctuations in other natural resource prices, uranium price movements are not particularly volatile.

Restructuring of the Uranium Production Industry

Persistently low spot market prices, coupled with continued expectations that market conditions will remain depressed in the foreseeable future, have caused uranium producers to focus on "survivability" rather than "viability". This article examines how producers are responding to the current market situation.

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NUEXCO REPORT 256 FIGURES OF THE MONTH (November 30, 1989)	This Month (Report 256)	Last Month (Report 255)	12 Months Ago (Report 244)
Exchange Value ($US per pound U_3O_8)	9.20	9.40	12.50
US Premium for the Exchange Value ($US per pound U_3O_8)	—	—	none
UF_6 Value ($US per kg U as UF_6)	27.75	28.25	37.50
US Premium for the UF_6 Value ($US per kg U as UF_6)	—	—	none
Transaction Value ($US per pound U_3O_8 equivalent)	9.55	9.65	13.30
Loan Rate (Per Annum)	3.5%	3.5%	3.5%
Conversion Value ($US per pound U as UF_6)	1.75	1.80	1.95
Near-Term Uranium Supply[1] (millions of pounds U_3O_8)	8.3	7.9	6.6
Near-Term Uranium Demand[2] (millions of pounds U_3O_8)	2.6	5.9	0.4
Near-Term Supply-Demand Ratio	3.1	1.3	16.5
Recent Uranium Sales:[3]			
Number of Transactions	8	6	8
Quantity of Material (Millions of pounds U_3O_8 equivalent)	2.2	1.1	3.7
Nuexco SWU Value: ($US per SWU)[5]			
at 0.3 tails assay	57	59	65
US DOE SWU Prices: ($US per SWU)			
USEC	118.00[4]	118.00[4]	117.00[9]
AFC	153.00[6]	153.00[6]	153.00[6]
Requirements	157.00[6]	157.00[6]	157.00[6]
Incentive Price	90.00[7]	90.00[7]	90.00[7]
Market Value of Enriched UF_6[8]: ($US per kg U as UF_6)			
2.5 w/o U_{235}	294	303	363
3.0 w/o U_{235}	379	389	465
3.5 w/o U_{235}	465	478	570
4.0 w/o U_{235}	552	568	676

[1]Active inquiries to sell, for delivery within 12 months after contract signing.
[2]Active inquiries to purchase, for delivery within 12 months after contract signing.
[3]Uranium sales only; does not include loans, conversion, or SWU transactions.
[4]Provisional price for DOE fiscal year 1990.
[5]Effective since 10/1/86.
[6]Effective since 10/1/84.
[7]Effective since 10/1/86, for up to 30% of annual requirements.
[8]Calculated using the NUEXCO Exchange Value, Conversion Value, SWU Value and 0.30 percent tails assay.
[9]Effective since 10/1/87 to 9/31/89.

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